

VISIT...

LANZAROTE
Caliente.COM

Four Reasons Succession Plans Get Botched

Conflict over succession planning is intensified when it's a family affair. Sometimes, though, the top dog needs to know when to let go

by [James Olan Hutcheson](#) and [Mary Ann Zimmerman](#)

It seems as though every day there's word of another titan of industry dragging the business skills of his or her offspring through the mud, or even actually kicking the offspring out of the company. Ned Johnson of [Fidelity Investments](#) derailed the route of his daughter, Abigail, to the corner office two years ago and has once again reshuffled ranks at the financial giant without appearing to give her another shot. Viacom ([VIA](#)) tycoon [Sumner Redstone](#) has been quoted as saying that his daughter, [Shari](#), (BusinessWeek, 7/30/07) hasn't contributed anything significant to the value of the company at which she has worked for decades. Media master [Rupert Murdoch](#) left observers baffled over the sudden departure of his son, Lachlan, a few years ago, with the unconvincing excuse that the onetime heir-apparent wanted to spend more time with his own children.

What's going on? Four points on this topic. First, succession is not easy. Johnson, Redstone, and Murdoch are exceptionally talented people. Each has taken a relatively modest bequest from their respective fathers and created goliaths of enterprise. When you find a single area of management where all three stumble badly, you have clearly come across a challenging subject. Succession is all that and more. It doesn't matter whether you're talking about a small company or a Fortune 500 concern.

THIS TIME, IT IS PERSONAL

It does matter when you're talking about a family business, however, and that's our second point. When a patriarch or matriarch publicly denounces the abilities of a presumed heir, it damages the perception of that potential leader in the eyes of the public, company employees, suppliers, and customers and, last but not least, the heir. It's highly destructive. This is not mere Wall Street soap opera. People can dismiss, rationalize, or otherwise defuse criticism leveled at them by rivals, reporters, or other impersonal critics. Not so easy when the mud-slinger is your parent.

You have to wonder why such accomplished leaders so badly mishandle succession. That brings up the third point, which is that family business leaders tend to have a different approach than other executives. They are far more likely to regard the business and its assets as belonging to them and them alone. Despite the presence and legitimate interests of other parties, including co-owners, they dispose of favors as they see fit. And they are reluctant to slip out of the limelight.

This clearly seems to be the situation with Redstone, who has shooed away numerous family and non-family candidates for the top job. The circumstances are somewhat more complex with Johnson and Murdoch. Rupert's falling out with Lachlan, for instance, appears to spring from the elder's renegeing on a longstanding agreement restricting power and ownership in his enterprises to Lachlan and other children from a previous marriage. When Murdoch wanted to cut the children of his current wife in for a share, it stirred up an emotional storm that led to Lachlan's departure. It's unfortunate for News Corp. ([NWS](#)) that an apparently capable successor was lost due to a purely personal disagreement, but that's family business.

MAKE WAY FOR THE NEXT GENERATION

The final point with regard to heirs and succession is that, despite the obstacles, succession can be done well. In 1995 at Cablevision Systems ([CVC](#)), for example, [James Dolan](#) smoothly succeeded his father Charles as chief executive of one of the nation's largest cable TV companies. A few years before that, [Donald Graham](#) followed his mother Katharine in the CEO job at the Washington Post Co. ([WPO](#)). In a move that Ned Johnson and Sumner Redstone might study with particular attention, Playboy ([PLA](#)) mogul [Hugh Hefner](#) relinquished the top executive's

office to his daughter, [Christie](#), in 1988.

Probably part of the reason family business leaders don't want to give up the reins is that they fear they'll miss being part of the action. In fact, it's probably best that they do leave quietly and completely. Renowned non-family business leaders Robert Crandall and Jack Welch are the poster boys for this kind of transition. Both completely severed ties to [American Airlines](#) and General Electric ([GE](#)), respectively, when they ended their long and illustrious tenures at the reins. Family executives tend to linger more, as evidenced by the continued presence of [Charles Dolan](#), now in his 80s, in the Cablevision chairman spot.

There is no single, right way to install an heir as the leader of a family business, any more than there is a single wrong approach. But it's safe to say that the kind of backing and filling, on-again, off-again method employed by Johnson, Redstone, and Murdoch is not likely a winner. These men have had lifetimes to prepare successors. It's time they made the decisions to hand off their enterprises to the people they chose long ago for the jobs, and move on. Dad, can they have the keys?

[Mary Ann Zimmerman](#) and [James Olan Hutcheson](#) are principals of ReGENERATION Partners, a consulting group devoted exclusively to working with family owned enterprises.

Xerox Color. It makes business sense.

Copyright 2000-2008 by The McGraw-Hill Companies Inc. All rights reserved.

The McGraw-Hill Companies